UNITED
NATIONS

A

General Assembly

Distr.
GENERAL

A/49/397
12 October 1994

ORIGINAL: ENGLISH

Forty-ninth session
Agenda item 37 (b)

STRENGTHENING OF THE COORDINATION OF HUMANITARIAN AND DISASTER RELIEF ASSISTANCE OF THE UNITED NATIONS, INCLUDING SPECIAL ECONOMIC ASSISTANCE: SPECIAL ECONOMIC ASSISTANCE TO INDIVIDUAL COUNTRIES OR REGIONS

Special plan of economic cooperation for Central America

I. INTRODUCTION

1. The present report is submitted pursuant to General Assembly resolutions 42/231 of 12 May 1988, 43/210 of 20 December 1988, 44/182 of 19 December 1989, 45/231 of 21 December 1990, 46/170 of 19 December 1991 and 48/199 of 21 December 1993.

2. The report describes the activities undertaken in the framework of the Special Plan of Economic Cooperation for Central America (A/42/949, annex) in the period from July 1993 to July 1994. The Special Plan's overall objective is to promote international cooperation in support of peace through development in Central America. It must be recalled that activities under the Plan started in September 1988 in response to General Assembly resolution 42/231 for an original period of three years and, by resolution 45/231, the General Assembly extended it up to 31 December 1994.

3. The mechanisms for the implementation of the Special Plan operate in six countries of the Central American isthmus, while support to uprooted populations also involves activities in some areas of Belize and Mexico.

4. Important progress in the processes of peace and democratization was achieved in the subregion during the period covered by the present report. The Peace Agreement in El Salvador is being implemented and clear advances have been made in the Guatemalan peace negotiations. Four countries (Costa Rica, El Salvador, Honduras and Panama) have changed Governments through constitutional electoral processes. Democratic institutions are being strengthened in the subregion and civilian organizations are participating in attempts at renewing social compacts.

5. The summit meetings of Presidents continued to show the will of national Governments and Central American societies to seek regional solutions to shared problems. At their Fourteenth Summit Meeting held in Guatemala City, the Presidents emphasized that Central America offered the necessary conditions to establish an interdependent relationship between a programme for peace and an agenda for development and announced that they would convene an international conference for peace and development in Central America. In effect, the Conference was held in Tegucigalpa, Honduras, on 24 and 25 October 1994.

6. Notwithstanding the progress made, continued efforts are needed to consolidate peace and democratic institutions in Central America. Old structural problems of high proportions of extreme poverty and social exclusion in some countries and other social disparities are a source of strain on the political process and are obstacles to a firm and lasting peace in the subregion. Economic reform programmes being implemented have yet to reconcile the need for economic stabilization with the generation of equitable and sustainable economic growth. The situation is fragile and further efforts are needed to consolidate the peace process in the subregion through sustainable human development.

II. THE MACROECONOMIC FRAMEWORK

7. According to the Economic Commission for Latin America and the Caribbean (ECLAC), tne economy of the Central American subregion grew slightly over 4 per cent in 1993, thus generating a moderate increase in the per capita product for a second consecutive year. At the same time, there was a decisive advance in the process of opening up the economies by means of a substantial reduction of tariff protection, while the approval of the Protocol on Economic Integration strengthened the mechanisms that facilitate trade.

8. Priority continued to be given to the correction of financial disequilibria and to the improvement of macroeconomic management. In the majority of cases, this was done with the support of programmes agreed with the International Monetary Fund (IMF) and the World Bank. The trend towards harmonization of economic objectives and policies continued.

9. The external disequilibrium continued to be one of the most worrisome aspects. Although the subregion received considerable external resources (US$ 2.9 billion in 1993 compared with US$ 3.2 billion in 1992), these were insufficient to cover financial requirements, with the result that international reserves fell by more than US$ 50 million. Private and official transfers continued to the subregion. The amount of short-term private capital and some capital repatriation attracted by high rates of interest was significant.

10. The countries of the subregion persevered in their efforts to restructure their external debts. In the cases of Nicaragua and Honduras, which register the highest levels of indebtedness, this action is of the utmost urgency. El Salvador obtained a cancellation of its official debt with the United States; other countries renegotiated their debts in the framework of the Paris Club, with differing degrees of success. The private sectors in Costa Rica,

El Salvador and Guatemala increased their external indebtedness in the face of lower foreign interest rates and less stringent administrative restrictions.

11. With regard to international trade, the value of exports from the subregion reached US$ 5,133 million in 1993, 10.3 per cent higher than in 1992. Unfavourable prices persisted for traditional products, most notably for coffee, sugar and cotton. This was not the case for beef, fish and seafood products, which registered increased sales. European Union restrictions on banana imports from Latin America created market uncertainty for that product. For their part, non-traditional exports, both intraregional and extraregional, continued to increase rapidly, though at lower rates than in preceding years.

12. The financial situation of Governments was adversely affected by persistent tension in the majority of countries. Efforts to diminish the fiscal deficit in the framework of agreements with multilateral lending institutions were successful for Costa Rica, El Salvador, but less so for Nicaragua. Honduras and Guatemala could not meet the established targets. The fiscal disequilibria in Honduras and Nicaragua are very high, reflecting the external debt-servicing burden.

13. All Governments adopted measures to improve tax receipts by reforming income tax, establishing or increasing value-added tax and eliminating or reducing tax exemptions. Privatization and/or contracting out of services were implemented in 1993, especially in Costa Rica, Honduras and El Salvador. However, public revenues were insufficient to offset fiscal imbalances. The operational and administrative difficulties facing countries in selling off public assets must be emphasized.

14. Notable efforts were made in El Salvador, Guatemala and Nicaragua to restrain current expenditures and investments. There was a virtual freeze in public employment positions and in salaries, in addition to drastic restrictions on investment. However, expansionary expenditure policies were adopted in Costa Rica and Honduras, manifested by significant increases in the salaries of public sector employees and in infrastructure investments.

15. Monetary authorities made special efforts to control inflationary processes and to reduce pressures on foreign exchange rates. Monetary policy determined increases in bank reserve thresholds and in emissions of government bonds in order to restrict liquidity; credit supply also tended to be restrictive. The situation was reflected in generalized increases in interest rates with mainly negative effects on agricultural and manufacturing activities and less on trade and services.

16. With the exception of El Salvador, which enjoyed a plentiful supply of dollars, the countries were affected by tensions between the supply and demand for foreign exchange with the result that they had to adjust the rates. Nicaragua and Honduras implemented the most important nominal movements (18 and 22 per cent, respectively). Inflation decreased notably in Costa Rica and El Salvador and somewhat less in Guatemala; however it increased in Honduras and Nicaragua as a consequence of devaluation measures and increases in food prices.

17. Although Nicaragua had progressed firmly in its peace process during the last biennium, during 1993 it had to face the consequences of the former political polarization. El Salvador also experienced some signs of violence linked to the internal conflict prior to the peace accords. Tensions in the subregion were heightened by an institutional crisis in Guatemala that led to a change of administration. The prevailing threats to stability and uncertainty were gradually overcome by the end of the year.

18. One of the most notable aspects of progress in the subregion took place in the field of regional cooperation with the signature by the five Central American countries and Panama of the Protocol to the General Treaty of Economic Integration. Nicaragua in April 1993 joined the system of bilateral trade agreements that Guatemala, El Salvador and Honduras had established in May 1992, resulting in the formation of the group known as CA-4. Costa Rica joined the integration framework with the signature of the Protocol. Moreover, the Harmonized Central American System (SAC) came into effect, including the Unified Customs Code, whose common external tariff opens up the economies of the subregion to the rest of the world. Finally, implementation of the tax harmonization programme in the framework of coordination of macroeconomic policies must be underlined.

III. IMPLEMENTATION OF THE SPECIAL PLAN

19. Implementation of the Special Plan proceeded according to the strategy established by its coordinating mechanisms, which involve the six Central American Governments, regional integration institutions, the United Nations Development Programme (UNDP) and other international organizations, as well as cooperating Governments. UNDP is the lead agency for the Special Plan. Programmes and projects related to its promotion, execution and coordination are financed from its Special Programme Resources (SPR) as authorized by the then UNDP Governing Council. It must be recalled that US$ 20 million was originally budgeted for the period 1989-1991 and an additional US$ 14 million allocated for the period 1992-1994.

20. Since the launching of the Special Plan, 75 technical assistance projects (of which 30 are ongoing) totalling more than US$ 145 million were approved. Of this amount, US$ 33.6 million corresponds to approved projects financed from SPR and the balance reflects co-financing sources (US$ 101.9 million). Additional contributions through parallel financing to projects administered by UNDP account for more than US$ 15 million. Annex I contains a financial summary of UNDP's resources earmarked for the implementation of the Special Plan.

21. In addition to the technical cooperation projects mentioned above, the Special Plan mobilized additional external cooperation resources. About US$ 1 billion was mobilized from donors and development banks channelled through investment and technical cooperation project portfolios formulated in the agricultural and infrastructure sectors or contributed to specific thematic/sectoral areas. A quantitative analysis of the impact of the Regional Unit of Technical Assistance agricultural project (RUTA II) estimated at US$ 900 million the financial assistance to be secured over the course of the next few years, of which US$ 300 million would relate directly to RUTA's

activities. A total of almost US$ 460 million, mostly in the form of grants, was contributed by donors in the framework of the International Conference on Central American Refugees (CIREFCA).

IV. EMERGENCY PROGRAMME

A. Assistance to refugees, returnees and displaced persons

22. Solutions in favour of populations uprooted by conflicts (refugees, returnees and displaced persons) in the subregion were implemented through the Concerted Plan of Action of CIREFCA. The Plan, launched in 1989, constituted a valuable international forum where the convening countries (Belize, Costa Rica, El Salvador, Guatemala, Honduras, Mexico and Nicaragua), cooperating countries, the United Nations system and participating NGOs could reach consensus regarding actions to be taken in favour of the uprooted. The Concerted Plan of Action operated on the basis of commitments made by all participants and specific national, regional and international mechanisms for promotion and follow-up: committees and support groups at the national level, a follow-up committee at the regional level, and a technical Joint Office of the United Nations High Commissioner for Refugees (UNHCR)/UNDP Support Unit that assisted in the implementation of the Plan and maintained close contact with all interested parties.

23. CIREFCA contributed significantly to the peace process in the subregion by furthering reconciliation, reconstruction of the social fabric and protection of human rights. It has shown that peace, development and human rights are interrelated and that the resolution of the problem of uprootedness is a precondition for consolidating peace. The CIREFCA process linked the problems of refugees to those of returnees and displaced persons. The Concerted Plan of Action comprised an array of programmes and projects, from initial emergency assistance to efforts to integrate populations in development processes that equitably benefited both the uprooted and local communities. Innovative solutions ranged from the so-called quick impact projects to the comprehensive human development strategy under the Programme for Displaced Persons, Refugees and Returnees in Central America (PRODERE).

24. CIREFCA has facilitated the voluntary repatriation in conditions of security and dignity of 70,000 Nicaraguans, 30,000 Salvadorians and 16,000 Guatemalans, disbanded closed camps, provided durable solutions for the uprooted population, including demobilized former combatants, and promoted concrete measures to regularize the legal situation of refugees and returnees.

25. CIREFCA earned the political support of the international donor community, with significant financial resources being mobilized to support policies, strategies and projects in favour of uprooted populations in Central America. A total of US$ 438 million has been mobilized, mostly in non-reimbursable funds, including US$ 158 million within the framework of PRODERE.

26. CIREFCA contributed to the creation of a humanitarian environment that opened up opportunities for dialogue and concerted decisions and action among former rivals. Voluntary repatriations and the implementation of projects in

zones of internal conflict promoted reconciliation and stimulated respect for human rights. CIREFCA also adopted gender-specific mechanisms for women and ensured their participation in the formulation, implementation and evaluation of projects. The United Nations Development Fund for Women (UNIFEM) formed part of the Joint Support Unit and the first regional forum on refugee, returnee and displaced women was held in the subregion.

27. The Secretary-General of the United Nations gave support to the coordination of the CIREFCA process within the framework of the Joint Task Force, with the participation of UNHCR and UNDP. The latter's acceptance of the role of lead agency since July 1993 reflects the transition-to-development stage reached in Central America. UNHCR continued to extend support by fulfilling its protection and assistance roles.

28. The third and last International Meeting of CIREFCA's Follow-up Committee was held in Mexico City on 28 and 29 June 1994 with the participation of numerous representatives of the international community, NGOs and the United Nations system. It symbolized the formal finalization of the CIREFCA process and, at the same time, the launching of a new initiative on the basis of a renewed Declaration of Commitments in favour of populations affected by uprootedness and by conflicts and extreme poverty in the framework of the consolidation of peace in Central America adopted by all participants.

29. The Declaration of Commitments is the formal political endorsement of a widened framework for sustainable human development within which national and regional strategies presented by the countries will be implemented. The aim is to contribute to the efforts to eradicate extreme poverty and social exclusion and give continued consideration to the pending agenda regarding uprootedness to consolidate peace in the subregion. The task ahead will be to ensure adequate formulation and implementation of human development programmes at the local level, with particular concentration in priority geographic areas selected by the eight convening countries (including Panama). A temporary commission is responsible for a participatory process of defining the local, national and subregional mechanisms that will ensure adequate promotion and follow-up of the process.

30. PRODERE has been one of the main components of the CIREFCA process and the largest single operation undertaken in Central America in this sphere of action. The programme encompasses six national projects (in five Central American countries and Belize and three regional subprogrammes, with a total funding of US$ 158 million (US$ 115 million from the Government of Italy). Its implementation is managed by UNDP and involves the direct participation of UNHCR, the International Labour Organization (ILO), and the World Health Organization/Pan American Health Organization (WHO/PAHO) and the support of the World Food Programme (WFP), the United Nations Children's Fund (UNICEF), the United Nations Volunteers programme (UNV) and the United Nations Population Fund (UNFPA).

31. PRODERE seeks to benefit almost 1.4 million persons (510,000 persons directly), in areas totalling almost 480,000 square kilometres involving 93 municipalities and 2,200 local communities. PRODERE is active in such areas as human rights, education (more than 340 schools built or rehabilitated, 4,700

educators trained and 53,000 receiving adult education), health (105 centres built or rehabilitated), skills training, credit and productive projects (micro-enterprises, agricultural development), infrastructure (potable water for 91,000 persons and more than 1,300 kilometres of roads built or rehabilitated) and, in general, local development.

32. PRODERE has worked successfully to promote peace and reconciliation in the subregion and has proved to be an important conceptual and operational tool for promoting development. Its approach evolved from humanitarian assistance and restricted operation at the outset in 1990 to full-scale sustainable human development at the local level in 1994. Its success is due to several factors: a participatory approach and establishment of local mechanisms that ensure participation of local institutions and sustainability; establishment of local systems of production/employment (local development agencies, non-conventional credit programmes), health, education, area development and environmental management and protection of human rights; linkage to national overall and sectoral policies of line ministries, support to government investment and disbursement mechanisms, operation of social investment funds and triggering of complementary efforts by international cooperation agencies.

33. PRODERE concepts and methodologies and the experience gathered in Central America are being transferred to other regions of the world, such as Africa south of the Sahara and Cambodia, where post-conflict peace-building requires comprehensive efforts to consolidate peace, assuring well-being among people through community participation and the establishment of specific systems of development at the local level.

B. Food aid

34. Under the Special Plan, food aid has been an important factor in meeting emergency needs of the poor and of the population affected by civil strife and also as a component in projects and actions geared to fulfilling long-term structural needs. During 1993 and 1994, WFP overall assistance to Central America and Panama amounted to US$ 52.2 million, representing more than 148,000 tons of food aid as well as the provision of non-food items and training of counterpart staff to strengthen national capacities. Most WFP-assisted projects are located in depressed rural areas and are designed primarily to help the rural poor. Through development projects, WFP assistance has supported agriculture and rural development and human resource development. This includes assistance for a food-stamp programme in Honduras, school-feeding programmes and, in Guatemala, assistance to indigenous people combined with support for environmentally sustainable development. Assistance has focused particularly in the framework of CIREFCA on helping refugees, returnees and displaced people to resettle and become self-sufficient in the countries concerned. Funds generated through monetization of WFP commodities have been used to establish revolving credit programmes to help the beneficiaries to increase their production or establish small enterprises.

V. PROGRAMME OF IMMEDIATE ACTION

35. The Special Plan included activities concerned with the reduction of short-term financial constraints hampering long-term economic reactivation and development of the subregion. Two areas had originally been identified for immediate action: the problem of the external debt, and financial requirements needed to reactivate the Central American Common Market and to bridge temporary imbalances in the countries' external accounts.

A. External debt

36. Since the negotiations have proceeded on a country-by-country basis, UNDP confined its support to assisting the needs of individual countries concerning external debt negotiations through its regular programmes. At the subregional level, a UNDP-financed project, executed jointly by ECLAC and the United Nations Conference on Trade and Development (UNCTAD), supported the installation of computerized systems for handling data related to the debt in each Central American country.

B. Financing to reactivate the Central American Common Market and reduce imbalances in countries' balance of payments

37. During 1990 and 1991, the European Community had formally agreed with the Central American Governments to give support to the implementation of a subregional payments system to facilitate intraregional trade flows. Given the substantial change in the economic conditions in Central America, the parties agreed in May 1993 that the resources, for a total of 40 million European currency units (ECUs), would instead be assigned to the reactivation of regional export trade by establishing a fund at the Central American Bank for Economic Integration (CABEI). The European Community also contributed ECU 30 million to create a Special Fund (CEPEX) managed by CABEI to strengthen the export capacity of two countries structurally affected by balance-of-trade problems, namely Nicaragua and Honduras.

VI. ECONOMIC REACTIVATION AND SOCIAL DEVELOPMENT

A. Industrial rehabilitation and reconversion

38. A technical mission financed by UNDP and led by the United Nations Industrial Development Organization (UNIDO) analysed the prospects of industrial modernization in the subregion, including macroeconomic policy, financial, technological and trade-related aspects, as well as institutional capacity. The mission produced nine reports on the overall structure and trends of the Central American manufacturing sector as well as of main branches of industry (textiles, shoe and leather, agro-industry, metalworking) and significant enterprises. Another output was the design of a technical assistance programme with four major components, namely macroeconomic policies directed to the private sector in the context of economic liberalization and insertion in the world market, with particular attention to the North American Free Trade Agreement (NAFTA);

strengthening of private enterprise systems with emphasis on small and medium industries; establishment of a subregional system to meet private sector generic technology requirements; and financial systems in support of industrial modernization and exports.

B. Agricultural development

39. An important project in the agricultural sector has been RUTA II. It was implemented between 1989 and 1994 by the World Bank with financing from UNDP, the Government of Japan, the Interamerican Development Bank (IDB) and the International Fund for Agricultural Development (IFAD), in addition to in-kind contributions provided by the Inter-American Institute of Cooperation in Agriculture (IICA). The project assisted in the formulation and implementation of agricultural policy change and institutional reform, to which the Governments assigned the highest priority; in carrying out key sectoral studies at the regional and national levels; and in preparing and securing resources for lending operations and investment projects, notably those linked to small-scale production. Other outputs concern the project's objectives of addressing other issues such as food security and production of basic grains, rural poverty alleviation, women in development and targeting of social policies in favour of vulnerable groups.

40. RUTA II became increasingly effective in helping the countries to secure the collaboration of donor agencies in providing technical and financial assistance to the subregion. It has been estimated that RUTA II assisted the countries in activities likely to lead to their obtaining financial assistance for an estimated US$ 900 million over the course of the next few years. Of the total, about US$ 500 million corresponds to the area of sector policy changes and institutional restructuring proposals, which form the basis for structural and sector adjustment loans, most of which the countries have already secured from the World Bank and IDB; another US$ 230 million would consist of investment projects financed by IFAD, IDB, the World Bank and bilateral financing agencies, of which a good part is in assistance to small agricultural producers, while another US$ 185 million would be obtained for addressing problems of rural poverty.

41. On the basis of an evaluation of RUTA II and the request of the Central American Economic Cabinets, RUTA III was prepared and initiated on 1 May 1994. The project incorporates two new areas, namely rural poverty, including the role of women in development and sustainable use of natural resources. The project continues to give priority attention to the preparation of technical assistance and investment projects, with particular emphasis on alleviation of rural poverty. The project also supports the process of regional integration, including studies on agricultural trade issues and training in trade negotiations.

42. The Special Plan also supported the Trifinio Plan, a three-country (Guatemala, Honduras and El Salvador) initiative, that generated investment and technical assistance proposals for regional development in border zones. The project, which was executed by UNDP and IICA, collaborated with the Trinational Technical Secretariat and involved the participation of CABEI.

C. Trade concessions

43. The Special Plan assisted the Central American countries in the area of external trade. Regarding customs operations, the UNDP-financed, automated system of customs data project (ASYCUDA) executed by UNCTAD ended in 1993. It assisted the subregion and individual countries to rationalize and harmonize trade statistics and to establish a common information system to facilitate trade flows. The project also promoted coordinating mechanisms, gave support to national customs systems and trained government personnel.

44. In the area of trade negotiations, another project financed by UNDP and executed by UNCTAD ended in the second quarter of 1994. It provided training and technical assistance to the Central American countries for the negotiations at the General Agreement on Tariffs and Trade Uruguay Round and with Colombia, Venezuela, Mexico and NAFTA.

D. Physical infrastructure

45. According to the priorities of the Special Plan for the period 1992-1994, with the exception of some follow-up activities, no major initiatives were implemented after the completion of the UNDP-financed projects related to the preparation of project portfolios in the areas of road networks and telecommunications. The Governments presented the investment and technical cooperation projects to different sources of finance, and several of them received financial support. Among them, the regional project financed by the European Community (ECU 13.8 million) in the area of telecommunications is under implementation with the participation of the Technical Commission for Telecommunications in Central America (COMTELCA).

E. Investments in the energy sector

46. No new activities were undertaken in this area in the period under review. It must be underlined that several regional technical cooperation projects financed by UNDP and prepared by the World Bank and ECLAC were the basis for donor contributions secured in the framework of the IDB-led Regional Consultative Group for Central America in the electric energy sector.

F. Social investments

47. A UNDP-financed project continued to assist the Central American Governments, Panama and Belize, in carrying out activities in the framework of the "Tegucigalpa Commitment" on human development and the corresponding seven national action plans, which implied government budgetary redistribution in favour of the social sectors (health, nutrition, education and employment). The project contributed to the discussion of the concept and provided training in the area of human development. Seminars were held with the participation of government agencies, the armed forces and numerous civilian organizations (private sector, NGOs, cooperatives, peasant organizations). These efforts involved the joint participation of various agencies of the United Nations

system (UNDP, UNICEF, WHO/PAHO, UNESCO, ILO Regional Employment Programme for Latin America and the Caribbean (PREALC), UNFPA, ECLAC) as well as regional organizations.

48. The programme of technical assistance to alleviate poverty in Central America (Social RUTA) is under way. The project, executed by the World Bank with the participation of WHO/PAHO and the Institute of Nutrition of Central America and Panama (INCAP), started operations in July 1993 on the basis of resources approved by UNDP, the Government of Japan and IDB. The project aims at policy formulation and strengthening management capabilities of national technical units for the preparation, execution and evaluation of programmes and projects in primary education, primary health and nutrition, and in building up a portfolio of investment proposals for submission to lending operations.

49. As a contribution to the improvement of health services in the subregion, a new phase of the UNDP-financed PAHO-executed project "Management of health services" was finalized. The project mobilized internal and external resources, gave support to national efforts to transform health systems, contributed to the interaction among countries in the area of efficient management of health services and developed and established health management information systems that are operational in all countries.

50. UNDP continued financing the operations of a regional water and sanitation network for the subregion under the lead of the World Bank and involving also the participation of UNICEF, WHO/PAHO, Swiss development assistance, USAID, the German Agency for Technical Cooperation and the Canadian International Development Agency. Support is given to the establishment of policies and formulation of programmes for improving water and sanitation quality levels and distribution. UNICEF is expected to assume the leadership role.

51. In the area of education and in the framework of the Special Plan, UNESCO implements regional projects geared to identifying common national basic educational needs, increasing schooling, reducing illiteracy and improving the quality and efficiency of the educational systems.

G. Food security

52. The UNDP-financed project executed by INCAP entitled "Transfer of technology of composite flour" came to an end, achieving important targets. It implemented pilot projects in each Central American country to produce enriched flour and nutritional biscuits to supplement nutrition intakes of children of 0-3 years of age, children of school-age and community health services. Various private enterprises and NGOs are interested in marketing the food products.

H. Tourism

53. No new activities were undertaken in this area in the period under consideration. It must be recalled that three UNDP-financed projects completed their operations. They were executed by the World Tourism Organization (WTO) in close collaboration with the national authorities and the Central American

Secretariat for Tourism Integration (SITCA). The projects aimed at facilitating tourism, human resources training and ensuring sustainable development of tourist resources in protected areas of the Central American isthmus.

I. Environment

54. The Special Plan supports the activities of the Central American Commission on Environment and Development (CCAD). An ongoing joint UNDP/IDB-financed project aims at strengthening CCAD, allowing the organization to define a subregional strategy and an action plan, including preparation of investment project profiles and support to national sectoral authorities.

55. In the area of forestry development and management, another UNDP-financed project operates in coordination with CCAD. It provides technical assistance to the sectoral authorities in policy formulation and promotion of the private sector and contributes to the continuity of activities prepared by the Central American Tropical Forestry Action Plan jointly with other bilateral donors.

56. The final report of a UNDP-financed technical cooperation project in the area of agro-forestry, executed by the World Bank and the Tropical Agricultural Research and Training Centre (CATIE) was produced in the first quarter of 1994. It contains a thorough comparison and socio-economic feasibility analysis of various projects already implemented in the subregion aimed at resources management and production diversification practices for the benefit of small farmers. Its results provide a basis on which future undertakings in this area can be soundly launched.

J. Central American Bank for Economic Integration

57. No further activities were undertaken after the completion of the UNDP-financed project that assisted the Ad Hoc Committee of CABEI governors and interested bilateral donors in the institutional restructuring of the Bank. Many of the recommended reforms were implemented and CABEI improved its operations. The Bank incorporated extraregional shareholders (Mexico, Taiwan Province of China and Venezuela) and international lending agencies renewed their operations with the Bank given the perceived additionality and complementarity that CABEI offered for the resources channelled through it.

VII. INSTITUTIONAL ASPECTS AND MANAGEMENT CAPACITY

58. The Special Plan emphasized capacity-building of national and regional institutions as an overall important objective. Development cooperation activities at the subregional level have aimed at strengthening government institutions at the national level and also subregional integration institutions.

59. With respect to public entities that act as national counterparts, they received support for: (a) creation or strengthening of consensus-building capacity; (b) establishment or strengthening of management capacity for the

development process, especially in the area of formulation and implementation of public policy; (c) support to increased outputs and creation of institutional capacity to undertake new activities; and (d) improvement of efficiency, information and management systems.

60. In addition to CABEI, subregional integration institutions that have received support include the secretariat of the General Treaty of Central American Economic Integration (SIECA), the Central American Monetary Council (CMCA), CCAD and the Central American Institute of Public Administration (ICAP). New integration organizations received support in the period under consideration, namely the Central American Integration System (SICA), the Central American Parliament (PARLACEN) and the Central American Court of Justice.

61. A UNDP-financed project has supported SIECA to fulfil its role in the areas of economic integration and international trade negotiations as well as its functions as secretariat to the Economic Cabinets. Additionally, SIECA received UNDP's assistance as the coordinating body for international cooperation, including the intra-Central American decision-making mechanism for the Special Plan.

62. CMCA received UNDP assistance to implement a computerized database of short-term macroeconomic indicators that are used by the central banks for purposes of comparative macroeconomic analyses of economic fluctuations and trends and policy-making.

63. Reference has already been made to the support given to CCAD, enabling the secretariat of the Commission to strengthen its capacity to respond to the objectives established by the Central American Presidents.

64. In the case of ICAP, this institution acted as the focal point for implementing training courses in international cooperation management for public officials of the different countries.

65. Other projects are oriented to the institutional strengthening of Governments, agencies and subregional organizations that participate in the management of the Special Plan. This has included financial support to the Ministries responsible for the Plan and to UNDP field offices in the subregion and to training public officials as described above.

66. The Special Plan constituted a framework that facilitated aid coordination to Central America. In addition to formal meetings required by the implementation mechanisms, informal periodic contacts took place with donors in capitals and at field level. UNDP participated in the meetings organized under the aegis of the IDB-led Regional Consultative Group for Central America, the United States of America-led Partnership for Democracy and Development and in the national consultative groups organized by the World Bank.

VIII. THE PHASE-OUT AND THE NEW CENTRAL AMERICA PROGRAMME

67. Since its inception, the Special Plan has contributed to peace through development in Central America and has been particularly instrumental in facilitating internal dialogue within the subregion and with the cooperating community. Central America has shown significant progress in the process of peace and democratization along the path indicated in the Agenda for Peace. However the achievements need to be consolidated.

68. This was a central issue during the debate in the General Assembly on the item entitled "The situation in Central America: procedures for establishing a firm and lasting peace and progress in fashioning a region of peace, freedom, democracy and development" at the end of 1993. The General Assembly finally approved resolution 48/161 of 20 December 1993, by which it requested "the agencies of the United Nations system, especially the United Nations Development Programme and the international institutions, to consider providing the necessary resources to establish new and up-to-date regional programmes ... as part of the new development strategy, given the need to anticipate the eventual depletion of resources for the Special Plan of Economic Cooperation for Central America and to prevent any reversal of the achievements in Central America thus far and consolidate peace in the region through comprehensive and sustained development."

69. In that same resolution, the General Assembly also noted its interest in the proposal of the Governments of Central America in convening an international Conference for Peace and Development in the subregion. As noted above, this Conference was held in Tegucigalpa on 24 and 25 October 1994.

70. In response to these developments, and considering that Special Plan/SPR resources were almost exhausted, UNDP decided, in coordination with the Central American authorities, to assign the small outstanding balance to finance some preliminary activities directed to the preparation of a new regional programme for the subregion. The content of the above-mentioned Declaration of Commitments adopted at CIREFCA's closing ceremony in Mexico City is the backbone of the new Central American subregional programme. It is based on the sustainable human development approach to further the transition from conflict to development in the next few years. The programme will give support to the participatory efforts of the actors (Governments, civilian organizations, donors and United Nations agencies) and to the preparation and implementation of country-specific programmes of sustainable human development at the local level. Consultations were initiated with Central American and donor Governments, the United Nations Secretariat and United Nations system's agencies to establish a sound basis to comply with the Declaration of Commitments and launch the new programme.

71. Continued support of the international community to these efforts is essential to consolidate peace in Central America.

Annex

SPECIAL PLAN OF ECONOMIC COOPERATION FOR CENTRAL AMERICA

Financial status of projects approved by UNDP as of 31 August 1994

	UNDP contributions net Special Programme Resources	Net cost-sharing	Gross contributions from other sources administered by UNDP (management service agreements and trust funds)	Total
1987-1991	14 517 691	27 035 423	2 823 657	44 376 771
1992-1996	19 118 218	74 682 311	7 369 421	101 169 950
Total	33 635 909	101 717 734	10 193 078	145 546 721